

STATE PROPERTY AND BUILDINGS COMMISSION
MINUTES
OCTOBER 19, 2009

The State Property and Buildings Commission ("SPBC" or the "Commission") was called to order on Monday, October 19, 2009 upon adjournment of the Asset/Liability Commission meeting (approximately at 2:20 p.m.) in Room 386 of the Capitol Annex by Shannon Morgan, Deputy Secretary, Finance and Administration Cabinet as proxy for Jonathan Miller, Secretary, Finance and Administration Cabinet. Other members present were Edgar C. Ross, Executive Director, Office of the Controller, Finance and Administration Cabinet, Mary Lassiter, State Budget Director, Katie Smith, proxy for Larry Hayes, Secretary, Cabinet for Economic Development, Bonnie Howell, proxy for Attorney General, Jack Conway, Edmund Sauer, proxy for Gov. Beshear, and Glenda McCoy, proxy for Lt. Governor Mongiardo.

OFM Staff Members Present: Mr. Tom Howard, Executive Director and Secretary to the Commission, Deputy Director Brett Antle, Robin Brewer, Tom Midkiff, Rob Ramsey, Rachael Putnam, and Marcia Adams.

Other Guests Present: Kristi Culpepper and Kelly Dudley, from the Legislative Research Commission ("LRC") and Ryan Green from the Office of State Budget Director.

Deputy Secretary Morgan verified with staff that a quorum was present and that the press had been notified of the meeting.

A motion was made by Ms. Katie Smith and seconded by Ms. Glenda McCoy to approve the previous meeting minutes. Motion **CARRIED** and the minutes of the September 14, 2009 meeting were approved as written.

Deputy Secretary Morgan introduced Resolution 2009-26:

A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION AUTHORIZING THE ISSUANCE OF REVENUE BONDS FOR THE PURPOSE OF FINANCING VARIOUS PROJECTS; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH SAID REVENUE BONDS ARE TO BE ISSUED AND PROVIDING FOR A NEGOTIATED SALE THEREOF; AUTHORIZING AND RATIFYING ACTIONS OF THE COMMISSION STAFF IN THE STRUCTURING, PLANNING AND PREPARATION OF ALL DOCUMENTATION FOR THE ISSUANCE OF SAID BONDS AND IN PREPARING AND PUBLISHING A PRELIMINARY OFFICIAL STATEMENT FOR THE BONDS; RECITING, ACKNOWLEDGING AND APPROVING THE FILING OF AN APPLICATION BY THE FINANCE AND ADMINISTRATION CABINET OF THE COMMONWEALTH OF KENTUCKY FOR REVENUE BONDS TO FINANCE VARIOUS PROJECTS PURSUANT TO SECTION 56.450 OF THE KENTUCKY REVISED STATUTES; APPROVING A LEASE OF THE PROJECTS TO THE CABINET TO PROVIDE REVENUES FOR THE AMORTIZATION OF THE BONDS; DEFINING AND PROVIDING FOR THE RIGHTS OF THE OWNERS OF THE BONDS AND PROVIDING FOR THE APPLICATION OF THE PROCEEDS THEREOF.

Ms. Robin Brewer stated that Resolution 2009-26 is for the State Property and Buildings Commission Revenue Bonds, Project No. 96 in a not-to-exceed amount of \$425,000,000. This transaction is to issue new money for approximately \$364,000,000 of General Fund supported capital projects that have been authorized in several sessions of the General Assembly, specifically the 2005 Session, 2006 Session, 2007 2nd Special Session, 2008 Session, 2009 Session, and 2009 Special Session. The current anticipated structure is to encompass three series of bonds. The first series, Series A Bonds, will be issued on a tax-exempt basis; the second series, Series B Bonds will be issued on a taxable basis for two projects, the Research Challenge Trust Fund and the Regional University Excellence Trust Fund that were authorized in the 2008 session; the third series, Series C Bonds, will be issued on a taxable basis as Build America Bonds (BABs). The estimated All-In-TIC is 5.03%; the final maturity will be November 1, 2029; and we anticipate selling this transaction on October 28 with a closing of November 17, 2009. This transaction will be presented to Capital Projects and Bond Oversight Committee on October 20 pending approval today. Bond Counsel is Kutak Rock LLP, Underwriter is Morgan Stanley, and Trustee is U.S. Bank, N.A. Staff recommends approval.

Mr. Tom Howard reminded the Commission that the Build America Bonds carry a 35% direct federal subsidy from the U.S. Treasury, so the all in yield will be adjusted accordingly. Therefore, the arbitrage yield and the cost of financing is estimated to be 3.5%, which is a significant difference. Ms. Brewer added that Project No. 96 is a continuum of Project Nos. 90, 93, and 95 where a multitude of General Fund supported projects are being partially but permanently financed.

Ms. Bonnie Howell made a motion to approve Resolution 2009-26 that was seconded by Ms. Smith. Motion **CARRIED** and Resolution 2009-26 was **ADOPTED**.

Deputy Secretary Morgan introduced Resolution 2009-27:

**RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION
OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE OF
UNIVERSITY OF KENTUCKY GENERAL RECEIPTS BONDS, TAXABLE
BUILD AMERICA BONDS 2009 SERIES B**

Ms. Rachael Putnam stated the University of Kentucky (UK) General Receipts Bonds will be bid competitively and issued as taxable, Build America Bonds, Series 2009 B. The transaction is estimated to sell November 10, with a closing date on November 24, 2009. Approval is being sought to fund the Patient Care Facility Hospital Phase III pursuant to H.B. 4 of the 2009 Special Session of the General Assembly. The project was approved by the UK Board of Trustees on September 15, 2009 and will be presented to Capital Projects and Bond Oversight Committee on October 20 pending approval today. Peck, Shaffer & Williams LLP is the Bond Counsel, Morgan Keegan is the Financial Advisor, and Trustee is U.S. Bank, N.A. Staff recommends approval.

Mr. Howard noted that this is the first university issue in a number of years that has been approved for 30-year financing and the amortization schedule is layered from 2017 out to take advantage of demand for taxable Build America Bonds, generating an extra level of subsidy. The rationale behind the 30-year financing is that it is the only project that we are aware of that is designed to a 100-year standard. Most of the previous projects in Project 96, all the engineering estimates, etc., were designed on a 40-year standard. There is more

engineering and infrastructure built into this facility then there would be in a standard facility. It is justified because of the long expected useful life of the facility and the ability to lock in an exceptionally low financing rate. Mr. Ross asked what part of the overall project would be funded through this transaction. Mr. Howard replied that this was a continuation of the Towers. UK always gets tremendous reception in the marketplace given the limited amount of product that they have and their high ratings.

Mr. Ed Ross made a motion to approve Resolution 2009-27 that was seconded by Ms. Mary Lassiter. Motion **CARRIED** and Resolution 2009-27 was **ADOPTED**.

Deputy Secretary Morgan introduced Resolution 2009-28:

**RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION
OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE OF
HOSPITAL FACILITIES REVENUE REFUNDING AND IMPROVEMENT
BONDS, SERIES 2009 (SAINT ELIZABETH MEDICAL CENTER, INC.) IN A
PRINCIPAL AMOUNT OF APPROXIMATELY \$140,000,000 BY THE KENTUCKY
ECONOMIC DEVELOPMENT FINANCE AUTHORITY**

Ms. Katie Smith stated that the Kentucky Economic Development Finance Authority (KEDFA) was requesting approval for \$140,000,000 of Hospital Facilities Revenue Refunding and Improvement Bonds, Series 2009 on behalf of the Saint Elizabeth Medical Center, Inc. The bond proceeds will be used to finance the acquisition, construction, installation and equipping of healthcare facilities including a new ambulatory care facility in Covington and to refinance the outstanding principal amounts of the Series 2003 A, B and C Hospital Facilities Revenue Refunding Improvement Bonds. KEDFA is a conduit financier for the transaction and will not have a general obligation or be held liable for the bonds. The project was approved by KEDFA at its May 29, 2008 meeting and will be presented to Capital Projects and Bond Oversight Committee on October 20 pending approval today. Bond Counsel is Peck, Shaffer & Williams LLP, Underwriter is JP Morgan and Trustee is Huntington National Bank. Staff recommends approval.

Ms. Lassiter inquired about some recent newspaper articles relating to the lack of access to women's healthcare in the Covington area. Ms. Lassiter wanted to know if this planned ambulatory care center would be addressing this issue. Ms. Smith responded that she did not know for sure but would research the issue and send her a response.

Ms. Howell made a motion to approve Resolution 2009-28 that was seconded by Mr. Ross. Motion **CARRIED** and Resolution 2009-28 was **ADOPTED**.

Deputy Secretary Morgan introduced Resolution 2009-29:

**RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION
OF THE COMMONWEALTH OF KENTUCKY APPROVING THE ISSUANCE BY
THE KENTUCKY ECONOMIC DEVELOPMENT FINANCE AUTHORITY OF
ITS HOSPITAL REVENUE BONDS, SERIES 2009A (OWENSBORO MEDICAL
HEALTH SYSTEM, INC.) AND ITS VARIABLE RATE DEMAND HOSPITAL**

**REVENUE BONDS, SERIES 2009B (OWENSBORO MEDICAL HEALTH
SYSTEM, INC.) IN A PRINCIPAL AMOUNT NOT TO EXCEED \$575,000,000**

Ms. Smith stated that the Kentucky Economic Development Finance Authority (KEDFA) was requesting approval for the issuance of up to \$575,000,000 in Hospital Revenue Bonds Series 2009 on behalf of Owensboro Medical Health System, Inc. The bond proceeds will be used to finance the reimbursement and construction of a replacement hospital in Owensboro, Kentucky and the refunding of 2001 prior bonds and the outstanding principal amount of \$168,700,000. KEDFA is a conduit financier for the transaction and will not have a general obligation or be held liable for the bonds. The project was approved by KEDFA at its September 24, 2009 meeting and will be presented to Capital Projects and Bond Oversight Committee on October 20 pending approval today. The Bond Counsel is Jones Day, Underwriter is Merrill Lynch, and the Trustee is Wells Fargo. Staff recommends approval.

Ms. Howell made a motion to approve Resolution 2009-29 that was seconded by Ms. Lassiter. Motion **CARRIED** and Resolution 2009-29 was **ADOPTED**.

With no other business, the meeting stands adjourned.

Respectfully submitted,



F. Thomas Howard
Secretary